

ORIGINAL

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

In the Matter of )

CC 00-36

GTE Telephone Operating Companies )  
Revisions to Tariff FCC No. 1 )

Transmittal No. 1234

GTE Systems Telephone Companies )  
Revisions to Tariff FCC No. 1 )

Transmittal No. 304

**PETITION TO REJECT OR IN THE ALTERNATIVE, SUSPEND AND INVESTIGATE**

Sprint Corporation hereby respectfully submits its petition to reject, or in the alternative, suspend and investigate the above-captioned tariff filings of the GTE Telephone Operating Companies and the GTE Systems Telephone Companies (collectively, GTE) filed on December 6, 1999. As demonstrated below, GTE's proposed rates are excessive and inadequately cost-justified and should not be allowed to become effective.

In the instant transmittals, GTE is proposing to make changes to its Expanded Interconnection Services (EIS) offering, including introduction of rate elements for EIS request previously billed under individual case basis (ICB) arrangements. Among other things, GTE has proposed a non-recurring site preparation charge of \$33,560.00 per 100 square feet<sup>1</sup> to recover "site modification, security access, security arrangements, electrical requirements, major HVAC and power system modifications and miscellaneous charges" (Section 17.9.1(B)(15)).

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<sup>1</sup> Higher charges apply for larger cages.

The information filed by GTE in support of its proposed site preparation charge typifies the inadequacy of the justification provided. GTE provided a single page of information regarding investment and cost data ("Investment and Cost Data summary") associated with the site preparation charge. 88 percent of the proposed \$33,560 charge is purportedly due to "Total Contractor Labor"; there is only a single line, summarizing the alleged expense (\$29,503.56), to "justify" this amount. GTE does not explain whether its alleged costs are based on upgrades needed in what it considers a typical office, whether they are an estimated average of the cost of upgrading all (either nationwide or statewide) of its offices, or whether the costs are based on price quotes actually received from contractors to make specific modifications in specific offices. GTE does not identify which of the costs purportedly incurred are directly associated with accommodating a collocation request (such as floor reinforcement), and which are general building modifications (such as replacing the HVAC system). Of course, nowhere in the instant tariff filing does GTE break down even the broadest categories of costs it alleges it will incur (*e.g.*, HVAC, power, electrical, ducting, demolition, painting, flooring, etc.) to accommodate a collocation request. Thus, it is impossible to assess the reasonableness of the alleged costs underlying GTE's proposed rates.

Based on previous discussions regarding ICB collocation charges Sprint has had with GTE, including negotiations conducted under the auspices of the FCC,<sup>2</sup> it appears that the bulk of the alleged site preparation costs are associated with HVAC and power upgrades. In the

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<sup>2</sup> On October 5, 1999, Sprint requested that the FCC accept for consideration under the Accelerated Docket a complaint by Sprint regarding GTE's collocation policies and practices.

course of discussions relating to collocation in certain of GTE's California offices, it became clear that in at least one case, GTE was planning to replace the HVAC system for the *entire* office as the result of a request by a competitor to collocate a 10x10 foot cage. Even more astonishing was GTE's express intent to recover most, if not all, of that cost from its competitors, even though GTE occupied and used the vast majority of the space in the office and would clearly benefit from installation of a new HVAC system for the entire office. Even in offices where less drastic HVAC and power upgrades (general environmental conditioning) were purportedly necessary, GTE sought to recover from potential collocators all of the costs of the modifications, apparently refusing to assign to itself any of the costs of the upgrades.<sup>3</sup>

GTE's practice of allocating general overhead costs (such as replacement of the HVAC system) to its competitors but not to itself is clearly unreasonable and anti-competitive. Where GTE benefits from the upgrade, there is no rational basis for refusing to assign to itself some portion of those costs, based, for example, on the amount of space occupied by GTE relative to its collocated customers. If GTE is allowed to recover all overhead costs from its competitors and to assess prohibitively high rates on those competitors, CLECs will be substantially discouraged from even requesting collocation and from offering competitive local services in markets where GTE is the incumbent carrier.

GTE's documentation relating to collocation demand is as inadequate as its cost information. GTE simply states, with no additional detail, that annual demand associated with

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<sup>3</sup> In our most recent discussions with GTE, GTE stated that it has abandoned its "fill factor" approach under which it would allocate to itself one-fourth of non-recurring environmental conditioning costs.

the site preparation charge (100 square feet) is expected to be 13 (GTE Demand and Revenue Analysis, line 1, page 1 of 1). GTE does not explain whether this demand figure represents its expected number of collocation requests nationwide (the site preparation charge applies in all of GTE's jurisdictions), or the average number of collocation requests per office. If 13 represents nationwide demand, Sprint can assert, based upon our own collocation plans and the requests we have submitted to date, that a forecast of 13 requests is grossly understated. Because the site preparation charge is intended to recover one-time expenses allegedly incurred by GTE through the imposition of this charge on *each* collocation request received by GTE regardless of whether site preparation is necessary or not, any understatement of demand will result in a substantial windfall to GTE.<sup>4</sup> On the other hand, if the 13 demand figure represents collocation requests per office (which seems equally improbable), GTE must be claiming total average cost of approximately \$436,280 per office, which seems an excessive amount to accommodate 10x10 foot cage requests.

Use of a reasonable demand figure is also important to ensure that collocation costs are properly allocated among parties requesting collocation. In its *Advanced Services* proceeding,<sup>5</sup> the Commission stated that:

...incumbent LECs must allocate space preparation, security measures, and other collocation charges on a pro-rated basis so the first collocater in a particular incumbent premises will not be responsible for the entire cost of site preparation.... [T]he incumbent must develop a system of partitioning the cost by comparing, for example, the amount of conditioned space actually occupied by the new entrant with the overall space conditioning expenses.

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<sup>4</sup> Although GTE does not explain how it derived its proposed site preparation charge, Sprint presumes that GTE divided the alleged one-time costs by its forecasted demand figure of 13. If the denominator is too low, the resulting proposed rate will be too high.

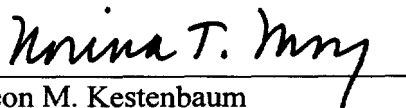
<sup>5</sup> *Deployment of Wireline Services Offering Advanced Telecommunications Capability*, CC Docket No. 98-147, First Report and Order and Further Notice of Proposed Rulemaking released March 31, 1999, para. 51.

Because of the lack of demand information, it is impossible to determine whether GTE has developed its rates in compliance with this explicit Commission requirement.

GTE's attempt to disguise its blatantly unreasonable cost allocation practices by burying its costs in an unexplained, one-line cost estimate for "total contractor labor," as well as its failure to provide any meaningful demand data, must not be tolerated by the Commission. The lack of data included with these tariff filings is an insult to the agency responsible for GTE's regulation. GTE cannot be allowed to decide on its own that the Commission does not need relevant cost support data, or that the Commission may ignore its regulatory responsibility to ensure that rates are just and reasonable. Unless incumbent LECs such as GTE are required to provide collocation to their competitors at rates and terms which are just and reasonable, competition in the local market simply will not develop and the goals of the 1996 Telecommunications Act will not be met. GTE has utterly failed to provide adequate cost support for its proposed rates or any explanation whatsoever of the cost allocation methodology it employed. Therefore, the Commission should reject, or alternatively suspend and investigate, the instant tariff filings.

Respectfully submitted,

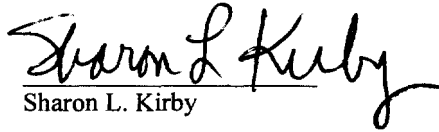
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December 13, 1999

## CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing document of Sprint Corporation was hand delivered or sent by United States First-Class mail, postage prepaid, on this the 13<sup>th</sup> day of December, 1999 to the following parties:

  
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